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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 003780

SIPDIS

STATE PASS AIT/W

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TAGS: [PGOV](#) [PREL](#) [TW](#)

SUBJECT: WANG ON FATE OF SPECIAL BUDGET POST LY ELECTION

Classified By: AIT Director Douglas Paal, Reason: 1.4 (B/D)

11. (C) Summary: LY President Wang Jin-pyng told the AIT Director November 24 that if the DPP controls the LY speakership after the December election, Taiwan's USD 18 billion special budget for the procurement of advanced weapon systems will pass but only over vigorous objections by the Pan-Blue. Wang emphasized, however, that if the Pan-Blue were to retain control of the LY speakership, he would be able to find a formula to bring the KMT around to support a budget, although at some reduced funding level. This, he claimed, would avoid exacerbating the political divisions that currently exist within Taiwan. End Summary.

Special Budget Post December 11  
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12. (C) Legislative Yuan (LY) President Wang Jin-pyng told the AIT Director November 24 that if the Democratic Progressive Party (DPP) controlled the LY speakership, the USD 18 billion special budget for the procurement of advanced weapon systems would pass but only over vigorous objections by the Pan-Blue and its supporters. Wang said that recent polls show that there are more people who oppose the special budget than there are people who support it. He reiterated that if the Pan-Blue were deprived of the LY speaker position, the opposition would have no reason to support any DPP policy initiative. Wang added that if the special budget were pushed through on a party line vote, it could lead to renewed street demonstrations like those after March 20. Wang said he worried that, in this case, anti-special budget protests might deteriorate into expressions of anti-Americanism.

13. (C) Wang emphasized, however, that if the Pan-Blue were to retain control of the LY speakership, he would be able to find a formula to bring the KMT around to support a budget, at some reduced funding level, that would avoid exacerbating the political divisions that currently exist within Taiwan. Wang said that the optics of the LY being able to secure a reduction on the cost of the weapon systems is vital to winning support from the Taiwan public. He remarked that people go to the traditional markets and haggle over one or two NT dollars, thus they expect the government to fight over items that cost billions.

14. (C) Wang asked the Director if the USG still sought LY passage of the special budget. The Director responded that if the budget did not pass, it would send a clear signal to policymakers in Washington that Taiwan is not serious about its own self-defense and lead to questions over why the U.S. should be prepared to fight for Taiwan when Taipei has shown no commitment to defend itself.

DPP's Anti-Wang Strategy  
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15. (C) Wang told AIT Director that Chen Shui-bian and the DPP are now intensifying their attacks on Wang because the DPP believes that it will face a Wang-Ma ticket for the 2008 presidential race. According to Wang, the DPP's strategy is to marginalize Wang by taking the LY speakership away from him and mothballing him by placing him in the Control Yuan (Note: President Chen recently publicly offered the Control Yuan position to Wang. End Note) Wang said that should the DPP succeed in eliminating Wang as a political player, it is unlikely that Ma would have a future. Wang asserted that Taiwan would not be able to accept the Hong Kong-born Ma as a leader unless Ma was paired up with Wang. Wang added that Taiwan would not even accept Ma as KMT Chairman. Wang said, "If Ma were KMT Chairman, the party would be branded as the Mainlander's party."

Comment: Self-Interest or Serious Warning?  
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16. (C) The clear subtext of Wang's comments on the special budget was that only he could ensure that the special defense acquisition budget would pass in a non-confrontational manner. Thus the U.S. should see his reappointment as LY Speaker, even if the Pan-Blue loses on December 11, as in its best interests. Nevertheless, Wang's warnings about the growing partisan divisions over the issue are legitimate. The People First Party's (PFP) decision in September to run

against the defense budget and the DPP's response of labeling the Pan-Blue as sell-outs for their policy reversal have given the issue a partisan overlay that did not exist a year ago. Wang was most likely exaggerating the prospects for street confrontations over the budget, since opinion on the subject, while divided, does not yet appear to be deep or emotional.  
PAAL